

Qualified Zone Academy Bond Program General Information

What is a QZAB?

The Qualified Zone Academy Bond (QZAB) program provides tax credits, in lieu of interest to lenders who issue bonds to eligible school districts. The bond proceeds may be used to finance renovations and repair projects within eligible school buildings. Because the federal government provides for the “interest” payment, the district is only responsible for repayment of the bond principal.

A Qualified Zone Academy Bond is a bond issue and is therefore subject to the Wisconsin Statutes which govern the aggregate amount of outstanding debt a district may incur without elector approval. Wisconsin Statutes provide school districts with the authority to borrow up to \$1,000,000 without elector approval at public hearing or referendum. However, non referendum debt falls under the revenue cap. This limit applies to aggregate outstanding debt incurred since 8/9/89. Please review Sections 67.05(6a)(b) and 67.12(12(e)(2g)) of the Wisconsin Statutes.

Eligibility Criteria

The district must be qualified by virtue of location or composition of student body (on a school-by-school basis). Select one of the following:

1. Location

The school is located in an Empowerment Zone or in an Enterprise Community

- Milwaukee
- Keshena
- Forest County
- Menominee County
- Vilas County

Or

2. Composition of Student Body

There is a reasonable expectation, as of the date of issuance of the bonds, that at least 35 percent of the students attending the school participating in the program will be eligible for free or reduced cost lunches established under the National School Lunch Act.

Private Business Contribution Requirement - 10% Match

The eligible school district must have written commitments from private entity match partners to make qualified contributions having a present value, as of the date of the issuance, of not less than 10 percent of the proceeds of the bond issue.. Eligible contributions include the following items:

- Equipment for use in the qualified zone academy (including state-of-the-art technology and vocational equipment),
- Technical assistance in developing curriculum or training teachers to promote market-driven technology in the classrooms,
- Employee's services as volunteer mentors,
- Internships, field trips, or other educational opportunities outside the academy for students,
- Any other property (including cash) or service specified by the local education agency (LEA), that meets IRS requirements, and
- The value of the 10 percent match is below the fair market value offered by any entity providing similar products or services.
- Providers of services or materials for the proposed project are not eligible as contributors to meet the 10 percent contribution requirement.

The Academy

The 10 percent match partner will help to set up an academy (program) to prepare students for college or the workforce. The academy designed in cooperation with business should enhance the academic curriculum, increase graduation and employment rates, and better prepare students for the demands of college and the increasingly complex requirements of the workforce. Students in the academy are subject to the same academic standards and assessments as other students educated by the school districts. The comprehensive education plan of the program must be approved by the school district.

Eligible QZAB Projects:

- Rehabilitating or repairing the public school facility in which the academy is established,
- Providing equipment for use at the academy,
- Developing course materials for instruction to be used at the academy
- Providing professional development for teachers in the academy.
- Issuance costs may not exceed 2% of bond proceeds.

Required Documentation

The letter of interest submitted by the school district to the department must include the following:

- Description of the eligible QZAB project.
- Written certification that the district qualifies as an Empowerment Zone or there is a reasonable expectation, as of the date of issuance of the bonds, that at least 35 percent of the students attending the school participating in the program will be eligible for free or reduced cost lunches established under the National School Lunch Act.
- Written verifications from private entity match partners stating that the value of the 10 percent match is below the fair market value offered by any entity providing similar products or services must be attached to the application.
- Written acknowledgement of the district's responsibility to comply with the provisions of the Davis Bacon Act, which requires that all workers on federally funded capital projects over \$2,000 be paid according to the prevailing wage rates for those positions.

QZAB Allocation Authority:

The Qualified Zone Academy Bond program was reauthorized by Congress in October 2008 and expanded by the American Recovery and Reinvestment Act in February 2009. Wisconsin has been allocated \$5,885,000 in 2008 and \$20,596,000 of QZAB issuance authority for calendar years 2008 and 2009 respectively. Both years will be aggregated for a total allocation of \$26,481,000. The 2010 allocation is pending IRS determination.

Time Limit for Issuance and Spending of QZAB Allocation

- School districts must spend 10 percent of bond proceeds within 6 months and 95 percent with 5 years of the issuance of QZAB bonds.
- QZAB bonds must be issued by the end of the second year following allocation authority:

Year Allocated	QZABs must be issued by December 31,
2006	2008
2007	2009
2008	2010
2009	2011

Department timeline for Allocation of QZAB Authority

Please note the following important dates:

PENDING	Mailing to school districts administrators.
PENDING	District's letter of interest due to the department. Letters of interest should be addressed to the attention of Natalie Rew, School Financial Services
PENDING	Notification of allocation to qualifying school districts.

Additional Information

If you have questions regarding the program, please contact Natalie Rew, School Financial Services, at (608) 267-9212 or natalie.rew@dpi.wi.gov.